

RD AN No. 3623 (1940-L)
March 7, 2001

TO: All State Directors
Rural Development

ATTENTION: Rural Housing Program Directors, State Architects,
And State Engineers

FROM: James C. Alsop
Acting Administrator
Rural Housing Service

SUBJECT: Section 502 Direct Funding Set-Aside

PURPOSE/INTENDED OUTCOME:

In accordance with RD Instruction 1940-L, Exhibit A, Attachment 2, \$3 million has been set aside for Fiscal Year (FY) 2001 Innovative Demonstration Initiatives under the section 502 Direct Loan program.

COMPARISON WITH PREVIOUS AN:

This AN updates RD AN No. 3536 (1940-L) which was issued on April 21, 2000, and expired on September 30, 2000.

IMPLEMENTATION RESPONSIBILITIES:

State Directors are authorized to use funds for the section 502 Direct Innovation Demonstration Initiatives on a project-by-project basis. Under section 506(b) of the Housing Act of 1949, the Rural Housing Service may provide loans to eligible section 502 customers for innovative housing design, units, and systems which do not meet existing published standards, rules, regulations, or policies. These innovative housing units should reduce cost, raise living standards, and improve rural area living environments.

EXPIRATION DATE: September 30, 2001

FILING INSTRUCTIONS:
Preceding RD Instruction 1940-L

Each State Director should review and discuss their need for the program in the State. The State must have an outreach plan that ensures all ethnic and racial groups have information on the program and are full participants in the program. An outreach plan should be developed and submitted to the State's Civil Rights Manager (SCRM) for review and if necessary the assistance of the SCRM should be utilized in contacting minority groups in each area. It is imperative that interested parties are informed of the availability of the funds. A report on quarterly outreach should be submitted to the SCRM within 30 days of the end of each quarter. Also, RD Instruction 1901-E, Section 1901.203(c)(2)(ii)(C), requires a marketing plan to be completed by the contractor if five or more single family dwellings are being built under contract with the Agency.

The State Office must designate a contact person who is able to answer questions and supply the necessary information. In addition, the State Offices may wish to develop a basic fact sheet concerning this initiative and disseminate this information to field staffs. Interested parties are to be referred to the State Office for further information. A list of all persons inquiring about the program should be recorded. This list should include information such as; whether an application package was sent out; whether an application is submitted; and the disposition of the package. Applications received are to be reviewed and processed on a first-come, first-served basis. Documentation of the actions taken on applications must be maintained to verify compliance with this policy.

All application packages received by the State Director must be evaluated and all acceptable application packages submitted to the National office for concurrence. Based on the subject application and the proposed concept, the package will be reviewed and determined if acceptable for funding under the Innovative Demonstration Initiative. Each proposal should include a proposed allocation for the dwelling to be built.

When the National office notifies the State Director of its concurrence in approving the demonstration concept, the affected Community Development Manager should be made aware of the approval and be prepared to issue conditional commitments for proposed dwellings. Each borrower's file should be permanently marked as a demonstration dwelling.

Attachments I through IV, provide the State Office Roles and Responsibilities, Application for Approval of Housing Innovation, the State Office Technical Evaluation Sheet, and Proposal Content and Evaluation Criteria, respectively.

For questions pertaining to this AN, please contact Gloria Denson of the Single Family Housing Direct Loan Division at (202)720-1487.

Attachments

Section 502 Rural Housing
Demonstration Program

State Office Roles and Responsibilities:

1. Have demonstration packages available for interested parties.
 - a. Maintain list of persons to whom sent.
 - b. Designate Housing state member as coordinator.
 - c. Develop a plan to coordinate review by program and technical staff.
2. Notify field and area staff that Demonstration is being proposed and to refer questions or interested parties to designated person in the State office.
3. Review proposals submitted for completeness of proposal within 15 days of receipt.
 - a. Those which appear to be complete in content and contain information related to the evaluation criteria, must be reviewed and evaluated based on the evaluation criteria and acceptable packages submitted with your recommendation to the National office within 20 days of receipt.
 - b. Packages which are not completed must be returned to the submitter within 15 days of receipt with an explanation of what is missing in the proposal for continued processing.
4. Upon request, be able to provide the National office with a list of package requesters as well as status of submissions.
5. As the National office accepts demonstration concepts, the State office will be advised of the acceptance and authorization to obligate funds to eligible borrowers who accept housing incorporating an innovative building or design technique. The State office will track such approvals so that the Agency can report to Congress on the Demonstration Program.

APPLICATION FOR APPROVAL OF HOUSING INNOVATION
(To be Completed by Applicant)

Name of Company _____

Address _____

Executive Officer _____

Contact Person _____ Phone Number _____

1. Describe the proposed housing unit innovation.

2. How does the innovation differ from comparable, conventional housing units?

3. How does the innovation deviate from present RHS housing standards for this type of housing unit?

4. Describe the intended buyer occupants of the housing unit (income levels, age groups, family composition).

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0114. The time required to complete this information collection is estimated to average 80 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

5. **Does the innovation comply with local building codes? Yes _____ No _____**

If no, has variance from those codes been approved by local housing authorities?

Yes _____ No _____

Attach documentation of compliance or approval of variance.

6. **What impact, if any, will the innovation have on the health or safety of the:**

a. housing unit occupants

b. local population

7. **What impact, if any, will the innovation have on the physical environment?**

8. **What are your qualifications for implementing the proposed innovation?**

a. Training

b. Experience

9. **Will the innovation increase, or decrease, the initial cost of construction?**

Increase _____ Decrease _____ Neither increase nor decrease _____

If increase or decrease, by what amount? _____

Explain

Attach documentation

- 10. Will the innovation increase, or decrease, the cost of maintenance, repairs, or replacements?**

Increase _____ Decrease _____ Neither increase nor decrease _____

If increase or decrease, explain, including time frames in your estimations of additional costs or savings.

Attach documentation.

- 11. Will the innovation make it more feasible for the housing owners to do part of the initial construction or finishing work?**

Yes _____ No _____

If yes, describe.

- 12. Will the innovation make it more feasible for the housing owners to do their own repairs, replacements, or maintenance?**

Yes _____ No _____

If yes, describe.

FOR INNOVATIONS INVOLVING BASIC ARCHITECTURE OR CONSTRUCTION

- 13. What impact will the innovation have on the life expectancy of the housing unit?**

_____ shorten life expectancy _____ extend life expectancy

_____ no impact on life expectancy

If shorten or extend life expectancy, explain.

FOR INNOVATIONS INVOLVING A COMPONENT OF THE HOUSING UNIT

- 14. Compared to comparable, conventional components, will the innovation have a longer, shorter, or the same life expectancy?**

shorter _____ longer _____ the same _____

Explain.

- 15. What impact, if any, will the innovation component have on other parts of the housing unit?**

-
- 16. Has this innovation been successfully used before?**

- | | | | |
|----|---|-----------|----------|
| a. | in similar types of housing units. | Yes _____ | No _____ |
| b. | in different types of housing units.
If yes, what types of units? | Yes _____ | No _____ |
| c. | in similar climates. | Yes _____ | No _____ |
| d. | in different types of climates.
If yes, what types of units? | Yes _____ | No _____ |
| e. | in similar geological areas. | Yes _____ | No _____ |
| f. | in different types of geological areas.
If yes, what types of units? | Yes _____ | No _____ |

If you answered yes to any part of question 16, attach documentation.

17. Will the innovation make future remodeling or expansion of the unit more feasible?

Yes _____ No _____

If yes, explain

18. Address the issues in the technical management section of the proposal contract section and evaluation criteria to the extent these issues were not fully discussed in the responses to the preceding questions.

Rural Housing Service is an Equal Opportunity Lender. Complaints of discrimination should be sent to: Secretary of Agriculture, Washington, DC 20250.

Section 502 Rural Housing
Demonstration ProgramRural Housing Service
State Office Technical Evaluation Sheet
Housing Demonstration

Instruction:

Evaluation of Housing Demonstration technical proposal concepts will be based upon analysis of the proposer's concept in relation to the specific criteria contained in the Proposal Content and Evaluation Criteria. This evaluation sheet is keyed to the evaluation criteria. Reviewers should record their evaluation of each proposal in terms of its strengths and weaknesses, i.e., the degree to which the proposal concept possesses or lacks the attributes set forth in the Proposal Content and Evaluation Criteria.

Reviewer's comments should be provided in the space below to indicate basis for the State Office recommendations and any other pertinent observations.

Prior to evaluating the proposer's concepts, it should be screened to determine if it is fully responsive in accordance with the requirements of the Technical Management section of the Proposal Content and Evaluation Criteria. Proposals found to be non-responsive will be removed from further consideration. The State office will return the submission to the proposer with a list of the non-responsive areas identified.

State: _____ Reviewer: _____ Date: _____

Name of Proposer: _____

Address _____

Executive Officer _____

Contact Person _____ Phone Number _____

Proposal Description: _____

The proposal is (check one):

☐ Responsive - complete the technical evaluation sheet

☐ Nonresponsive - return to proposer with explanation

I. Proposal Evaluation (Specific strengths and weaknesses - Use back of evaluation sheets if more space is needed)

A. Housing Unit Concept

1. **State of Development - is the housing unit ready for full scale field testing in a rural setting:**

Strengths	Weaknesses

2. **Ability of Housing Concept to provide for the protection of life, property, and for the safety and welfare of occupants:**

Strengths	Weaknesses

3. **Flexibility of Housing Concepts:**

a. Site Consideration

Strengths	Weaknesses

b. Dwelling Unit Concept:

Strengths	Weaknesses

4. Efficiency in the use of material and labor:

Strengths	Weaknesses

5. Materials durability and ease of maintenance:

Strengths	Weaknesses

6. Concepts effect on land use and the environment:

Strengths	Weaknesses

B. Organization Capabilities:

1. Experience of organizations or proposer to implement construction of the Housing Unit Concept: Is there evidence of a potential applicant?

Strengths	Weaknesses

2. Evaluation of effectiveness of Management structure and organization of proposer:

Strengths	Weaknesses

3. Qualification of key individuals:

Strengths	Weaknesses

4. The management plan of how construction will be conducted:

Strengths	Weaknesses

5. Is the proposed time schedule realistic?

Strengths	Weaknesses

C. Cost and Price Analysis:

1. The quality, quantity, and level of detail supporting the cost of constructing the property concept:

Strengths	Weaknesses

2. How does this compare with present housing costs in your State?

Strengths	Weaknesses

3. Projected housing cost for low- and very low-income individuals:

Strengths	Weaknesses

II. State Office Summary Review Comments and Recommendations.

A. Recommendations/Comments (Proposals's overall strengths and weaknesses)

Housing Unit Concept:

Organizational Capabilities:

Cost and Price Analysis:

Other:

B. Recommending/Rating based on the proposal and objective of the demonstration.

(Check one): _____ Excellent _____ Very Good _____ Good
 _____ Fair _____ Poor

PROPOSAL CONTENT AND EVALUATION CRITERIA

I. Technical Management. A proposal providing for the design, development, and application of a complete housing unit, including effective use of land, to be considered responsive shall address each of the items listed below. These items have been selected and arranged to provide a basis for the rapid and impartial evaluation of the proposal. Proposal development and design of innovative housing units and systems shall address those items under a housing unit concept which are applicable to the particular situation. For example, appropriate statements are to be made with respect to the housing unit description adaptability, state of development, resolution of potential code problems, cost projections, and reassurance of health and safety.

The proposer is requested to keep the proposal as concise as possible and consistent with providing the requested information. Elaborate brochures and presentation methods are not desired.

A. Housing Unit Concept. A description of the housing unit concept shall include the items listed below (the term “housing unit concept” is considered to include the construction method and process, the effective innovative use of land for single or multiple units, and the interrelations with utilities and other services):

1. Housing Unit Description. Provide written and graphic details of the total housing unit including floor plan and conceptual arrangement drawings and outline specifications. Highlight innovative and unique features. Indicate the relationship between subsystems. Elements to be addressed include rationale for selection of the housing unit concepts including factors of economy, productivity, performance, anticipated benefits, market acceptance, and consumer preference as they relate to the following:
 - a. Architectural: Floor plan at 1/4” per 10’; arrangements of housing units; finishes and aesthetic treatment; comparison with the requirements of national model codes; ability to incorporate varying appearance elements to provide architectural diversity.
 - b. Structural: Structural system (including engineering calculations) and total weather envelope (RHS present “Thermal Performance Construction Standards” used as a minimum) and acoustical treatment and exterior finishes.
 - c. Foundations: Foundation requirements peculiar to the proposed housing unit if separate from the structural system noted above.
 - d. Interior Work: Partitions, floor, wall and ceiling, finishes, cabinetry, trim, built-in furniture, and stair treatment, if any.
 - e. Mechanical: Heating, ventilating and, if applicable, air conditioning; unit air changes; plumbing and fuel supply system piping or conduits; waste disposal.
 - f. Electrical: Power supply and distribution system; lighting system.
 - g. Appliance and Equipment: Describe items which are included, and any special features, interface requirements.

- h. Ancillary Structure and Facilities: Describe any features provided separate from the basic housing unit that are normally part of a total housing complex, such as central laundry facilities and communal areas.
 - i. Land Use Concepts: Outline plans for innovative use of land to permit effective rural communities and small town planning, and effective utility systems.
2. Housing Unit Adaptability. Address the methods planned for adapting the proposed housing units to a variety of housing types and site considerations. Describe in narrative form and by concept drawings, modifications, or variations required to adapt the housing units to these varying situations.
- a. Housing Types: Describe the type of housing for which the unit may be used, and indicate adjustments which may be required. Provide sketches.
 - b. Climatic Area: Designate the climatic area where the housing unit should be placed, and describe design changes required to adapt the unit to each area for which the unit is suitable. Particular reference to the changes to be made to the unit for adaptability to resist severe weather conditions such as hurricane and extreme snow accumulation.
 - c. Geology and Soils: Provide conceptual foundation design for those geologic soil conditions considered as appropriate for the proposed system. Conversely, list the geologic and soil conditions which would preclude the use of the proposed units.
 - d. Site Topography: Provide drawing or sketches which indicate adjustments or modification required to adapt the units to various topographies.
 - e. Site Size: Discuss the ability of the proposed units and its mix of housing types to adapt to various site sizes.
 - f. Site Situations: Designate the types of sites for which the unit is considered appropriate and describe conceptually the unit treatment for each type. Describe the effects on unit design and production due to labor and material availability or similar factors related to site situation.
 - g. “Self-Help” Completion: Describe any work that can be done by the prospective occupant and the degree to which this might be practical. Note any skill or special training required.
 - h. Changes: Discuss the flexibility of the unit with regard to modifications in the unit after construction, including expansion and rearrangements.
 - i. Regional Applications: Discuss the States, regions, or areas of the country where the proposer is willing or interested in construction of this housing unit.
3. State of Housing Unit Development. Describe the present state of development of the housing unit and the subsystem components. Highlight any previous or current experience utilizing the proposed housing unit with particular emphasis on cost, acceptability, construction experience, and health and safety.
4. Constraints. Discuss and list restrictive provisions in the model and local codes that the proposer has resolved and that will not cause conflict with or inhibit the

demonstration of the innovative housing unit concept in the selected areas of the country.

5. Housing Unit Cost Projections. Furnish cost projections for each of the following situations: (“housing unit in place cost” is defined as including all construction, utility, and land cost).
 - a. Housing Unit Construction: Construction of the housing unit on sites proposed in the climatic regions noted above.
 - b. Ownership and Operating Cost Projections: Annual cost of ownership and operation of a housing unit, including estimates for utility expenses, insurance, and similar items. State assumptions.
 - c. Maintenance Projections: Annual rate of expense averaged over a 5-year cycle for property maintenance including painting, repairs, and prorated replacement of equipment.
 - d. Useful Life Projections: The probable useful life of the housing unit using separate projections for the structural systems, interior work, and mechanical and electrical system, if appropriate. State any conditions pertinent to the estimate. If housing units are constructed based on settled proposals, the proposer will be required to certify the actual construction cost.

B. Organization and Staffing. Describe the plan for organizing the total effort required to implement housing unit design and construction. This plan must include the following elements:

1. Management. An outline of the proposed management framework, including lines of responsibility and illustrating the varied disciplines required. Discuss the organizational and contractual requirements among the parties and their separate and mutual responsibilities, including plans for subcontracting portions of the work where applicable.
2. Key Individuals. A list of key individuals who will be assigned major management and professional responsibilities. Indicate the responsibilities to be assigned and indicate the persons’ qualification for the proposed assignment.
3. Data Collection. Describe the types, how, and by whom housing unit evaluation data will be collected and analyzed.
4. Time Schedule. Prepare a time schedule for development that sets start dates, completion dates, and relationships between different activities.

II. Evaluation Criteria. The Rural Housing Service, in it’s analysis of the proposals received, will give primary consideration to those proposals which demonstrate the greatest potential for carrying out the objectives of this demonstration effort in accordance with the following general criteria.

A. Housing Unit Concept.

1. A proposal must be well beyond the “idea” stage. Sufficient testing must have been completed to demonstrate its feasibility. The proposal must be judged ready for full scale field testing in a rural setting.

2. Ability of the housing unit to provide for the protection of life, property, and for the safety and welfare of the consumer, general public, and occupants through the design, construction, quality of materials, use and maintenance of the housing unit.
3. Flexibility of the housing unit in relation to varying type of housing and varying site considerations.
4. Flexibility of the housing concept, insofar as it provides the ability to adjust or modify unit size and arrangements, either during design or after construction.
5. Efficiency in the use of materials and labor, with respect to cost in place, the conservation of materials, and the effective use of labor skills. Potential for self-help applicants.
6. Selection of materials for durability and ease of maintenance.
7. Concepts for the effective use of land and environment.

B. Organizational Capabilities.

1. The experience and “know-how” of the proposed organization or individual to implement construction of the housing unit concept in relation to the requirements of RHS’s housing programs. The interests of low- and very low-income rural residents in the proposed housing will be considered.
2. The management structure and organization of the proposer.
3. The quality and diversity of management and professional talent proposed as “key individuals.”
4. The management plan of how this effort will be conducted.

C. Cost and Price Analysis.

1. The level of costs which are proposed, as they may compare with other proposals and be considered realistic for the efforts planned. Also, the quantity and level of detail in the information supplied.
2. Projected cost of “housing in place,” with particular reference to housing for very low and low-income families.